

Annuity Problems
p522-523 q 1-17
Chapter Self test
p524 q 1-11

Wed Dec 20th- Guest Speaker
Culminating P2 Tues -Thurs Jan 9th -11th

May 31-7:52 AM

Determine by Hand

4. Your mother wants to give you \$25 000 in 15 years' time. How much should she invest now at 8%/a interest compounded monthly to meet this goal?

Jan 7-7:22 AM

Determine by Hand

4. Your mother wants to give you \$25 000 in 15 years' time. How much should she invest now at 8%/a interest compounded monthly to meet this goal?

$$A = P_0(1+i)^n$$

$$A = 25000$$

$$P(0) =$$

$$i = 0.08 / 12 = 0.0067$$

$$n = 15 \times 12 = 180$$

$$25000 = P(0)(1 + 0.0067)^{180}$$

$$25000 = P(0)(1.0067)^{180}$$

$$25000 = P(0)(3.3267)$$

$$25000 = P(0)$$

$$3.3267$$

$$7514.95 = P(0)$$

She would need to invest \$7514.95 today.

Jan 7-7:22 AM

Determine by Hand

8. At the end of every 6 months, Parvati deposited \$200 into a savings account that paid 3.5%/a compounded semi-annually. She made the first deposit when her son was 6 months old and the last deposit on his 18th birthday. The money remained in the account until he turned 21. How much did Parvati's son receive?

Jan 7-7:25 AM

Determine by Hand

8. At the end of every 6 months, Parvati deposited \$200 into a savings account that paid 3.5%/a compounded semi-annually. She made the first deposit when her son was 6 months old and the last deposit on his 18th birthday. The money remained in the account until he turned 21. How much did Parvati's son receive?

$$A = R \left[\frac{(1+i)^n - 1}{i} \right]$$

$$A = ?$$

$$R = 200$$

$$i = 0.035 / 2 = 0.0175$$

$$n = 18 \times 2 = 36$$

$$A = 200 \left[\frac{(1 + 0.0175)^{36} - 1}{0.0175} \right]$$

$$A = 200 \left[\frac{(1.0175)^{36} - 1}{0.0175} \right]$$

$$A = 200 \left[\frac{1.8474 - 1}{0.0175} \right]$$

$$A = 200 \left[\frac{0.8474}{0.0175} \right]$$

$$A = 200 \left[48.423 \right]$$

$$A = 9684.6$$

When he turns 18 he will have \$9684.6

$$A = P_0(1+i)^n$$

$$A = ?$$

$$P_0 = 9684.6$$

$$i = 0.0175$$

$$n = 3 \times 2 = 6$$

$$A = 9684.6(1.0175)^6$$

$$A = 9684.6(1.1099)$$

$$A = 10748.1$$

When he turns 21 he will have \$10748.1

Jan 7-7:25 AM

Using the TI83

9. David is 8 years old when his parents start an education fund. They deposit \$450 at the end of every 3 months in a fund that pays 8%/a compounded quarterly.
- How old is David when the fund is worth \$20 000?
 - How much less time would it take to build the fund to \$20 000 if the regular deposit were \$550?

Jan 7-7:25 AM

Using the TI83

9. David is 8 years old when his parents start an education fund. They deposit \$450 at the end of every 3 months in a fund that pays 8%/a compounded quarterly.
- How old is David when the fund is worth \$20 000?
 - How much less time would it take to build the fund to \$20 000 if the regular deposit were \$550?

N= 32.12
 I%= 8
 PV= 0
 PMT= -450
 FV= 20 000
 P/Y= 4
 C/Y= 4
 END

$\frac{32}{4} = 8 \text{ years}$
 $8 + 8 = 16 \text{ years old}$

N= 27.60
 I%= 8
 PV= -550
 PMT= 450
 FV= 20 000
 P/Y= 4
 C/Y= 4
 END

$\frac{27.60}{4} = 6.9$
 Not quite 15 years old.

Jan 7-7:25 AM

Using the TI83

9. Kay Chung wants to travel to China in 20 months. The trip will cost \$3200. How much should she deposit at the end of each month in an account that pays 9%/a compounded monthly to save \$3200?

N=
 I%=
 PV=
 PMT=
 FV=
 P/Y=
 C/Y=
 END

Jan 7-7:27 AM

Using the TI83

9. Kay Chung wants to travel to China in 20 months. The trip will cost \$3200. How much should she deposit at the end of each month in an account that pays 9%/a compounded monthly to save \$3200?

N= 20
 I%= 9
 PV= 0
 PMT= 148.90
 FV= 3200
 P/Y= 12
 C/Y= 12
 END

She will need regular payments of \$ 148.90.

Jan 7-7:27 AM

Using the TI83

8. Claire buys a snowboard for \$150 down and pays \$35 at the end of each month for 1.5 years. If the finance charge is 16%/a compounded monthly, determine the selling price of the snowboard.

N=
 I%=
 PV=
 PMT=
 FV=
 P/Y=
 C/Y=
 END

Jan 7-7:32 AM

Using the TI83

8. Claire buys a snowboard for \$150 down and pays \$35 at the end of each month for 1.5 years. If the finance charge is 16%/a compounded monthly, determine the selling price of the snowboard.

N= $1.5 \times 12 = 18$
 I%= 16
 PV= 556.02 + 150
 PMT= -35
 FV= 0
 P/Y= 12
 C/Y= 12
 END

706.02 for the snowboard

Jan 7-7:32 AM

Dec 20-7:42 AM